

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
Complainant,)
v.)
PUGET SOUND ENERGY, INC.,)
Respondent.)
_____)

Docket Nos. UE-111048/UG-111049
(consolidated)

EXHIBIT NO.__(MPG-20)

STANDARD & POOR’S CREDIT METRICS – 9.70% ROE

December 7, 2011

Puget Sound Energy

Standard & Poor's Credit Metrics (9.70% Return on Equity)

<u>Line</u>	<u>Description</u>	Retail		S&P Benchmark ^{1/2}			<u>Reference</u> (5)
		<u>Cost of Service</u> <u>Amount (000)</u> (1)		<u>Intermediate</u> (2)	<u>Significant</u> (3)	<u>Aggressive</u> (4)	
1	Rate Base	\$	6,563,062				Exhibit Nos.____(MJS-7) and (JSH-7).
2	Weighted Common Return		4.46%				Page 2, Line 3, Col. 3.
3	Pre-Tax Rate of Return		10.55%				Page 2, Line 4, Col. 4.
4	Income to Common	\$	292,713				Line 1 x Line 2.
5	EBIT	\$	692,630				Line 1 x Line 3.
6	Depreciation & Amortization	\$	345,595				Exhibit Nos.____(MJS-3) and (JSH-3).
7	Imputed Amortization	\$	9,900				Page 4, Line 9, Col 1.
8	Deferred Income Taxes & ITC	\$	(35,504)				Exhibit Nos.____(MJS-3) and (JSH-3).
9	Funds from Operations (FFO)	\$	612,703				Sum of Lines 4, and 6 to 8.
10	Imputed Interest Expense	\$	20,500				Page 4, Line 8, Col 1.
11	EBITDA	\$	1,068,625				Sum of Lines 5 through 7 and Line 10.
12	Total Debt Ratio		56%	35% - 45%	45% - 50%	50% - 60%	Page 3, Line 4, Col. 1.
13	Debt to EBITDA		3.5x	2.0x - 3.0x	3.0x - 4.0x	4.0x - 5.0x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt		17%	30% - 45%	20% - 30%	12% - 20%	Line 9 / (Line 1 x Line 12).

Sources:

¹ Standard & Poor's: "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.

² S&P RatingsDirect: "U.S. Regulated Electric Utilities, Strongest to Weakest," October 4, 2011.

Note:

Based on the May 2009 S&P metrics, Puget Sound Energy Inc. has an "Excellent" business profile and an "Aggressive" financial profile.

Puget Sound Energy

Standard & Poor's Credit Metrics (Pre-Tax Rate of Return)

<u>Line</u>	<u>Description</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (4)
1	Long-Term Debt	50.00%	6.37%	3.19%	3.19%
2	Short-Term Debt	4.00%	4.62%	0.18%	0.18%
3	Common Equity	<u>46.00%</u>	9.70%	<u>4.46%</u>	<u>7.18%</u>
4	Total	100.00%		7.83%	10.55%
5	Tax Conversion Factor*				1.6106

Sources:

Exhibit No.____(MPG-3).

* Exhibit Nos.____(MJS-7) and (JSH-7).

Puget Sound Energy

Standard & Poor's Credit Metrics (Financial Capital Structure)

<u>Line</u>	<u>Description</u>	<u>Weight (1)</u>
1	Long-Term Debt	47.58%
2	Short-Term Debt	3.81%
3	Off Balance Sheet Debt ¹	<u>4.85%</u>
4	Total Long-Term Debt	56.23%
5	Common Equity	<u>43.77%</u>
6	Total	100.00%

Sources:

Page 2.

¹ Page 4, Line 7, Col. 1.

Puget Sound Energy

Standard & Poor's Credit Metrics (Off Balance Sheet Debt)

<u>Line</u>	<u>Description</u>	<u>Amount (000)</u> (1)
<u>Total Company</u>		
1	Operating Leases	\$ 99,300
2	Imputed Interest Expense	\$ 6,100
3	Imputed Amortization Expense	\$ 6,500
4	Purchase Power Agreements	\$ 234,900
5	Imputed Interest Expense	\$ 14,400
6	Imputed Amortization Expense	\$ 3,400
<u>Allocation</u>		
7	Total Off Balance Sheet Debt	\$ 334,200
8	Imputed Interest Expense	\$ 20,500
9	Imputed Amortization Expense	\$ 9,900

Source:

¹ *Standard & Poor's RatingsDirect*, "Puget Sound Energy Inc."
February 24, 2011 at 6.